



Response to JLARC Sales and Use Tax Exemption

30 November 2018

Introduction

- The State Legislature provides a sales and use tax exemption for nonresidents who pay Washington businesses to modify their large private airplanes. The preference began January 1, 2014, and is set to expire on July 1, 2021.
- Greenpoint Technologies, Inc. (Greenpoint) is conducting activities that qualify for this exemption
- The Joint Legislative Audit and Review Committee (JLARC) is conducting a study on the effectiveness of the exemption and has requested information from Greenpoint to estimate the impact of the exemption.
- The purpose of this presentation is to provide JLARC an overview of how the tax exemption contributes to the success of Greenpoint's business and impacts the economy of Washington State.

Greenpoint Overview

- Established in 1987, Greenpoint is one of the original licensed Business Jet Completion Centers
- Greenpoint provides turnkey interior completions for private individuals and Heads of State



Greenpoint Locations

- Head of State (HOS) and V-VIP custom aircraft interior completion center
- Joined Zodiac Aerospace in 2014 and was purchased by Safran in 2018
- Nearly 300 skilled employees (Washington and Texas)
- Four facilities with different capabilities to support the completion process



Kirkland, Washington
Corporate Offices



Denton, Texas
Cabinetry Manufacturing

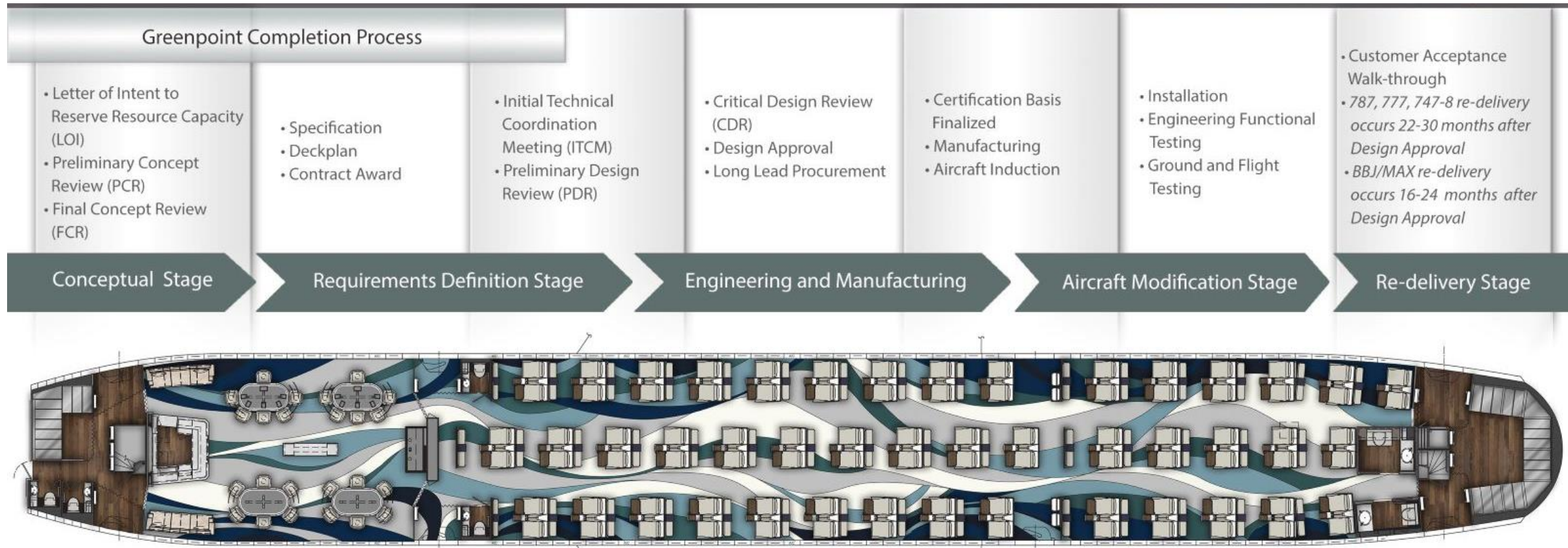


Marysville, Washington
Monument Manufacturing



Moses Lake, Washington
Installation Hangar

Greenpoint Completion Process



Greenpoint Interior Completions – BBJ 747-8



Greenpoint Interior Completions – BBJ 747-8



Greenpoint Interior Completions – BBJ 787-8



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Greenpoint Interior Completions – BBJ/737-700



Greenpoint Interior Completions – BBJ/737-700



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Greenpoint Team Members

- Greenpoint employs 178 employees in the State of Washington
 - Kirkland, WA: 141 employees
 - Marysville, WA: 26 employees
 - Moses Lake, WA: 11 employees
- The average employee compensation rate is \$98,950
- Greenpoint employs the following trades:
 - Engineering (Avionics, Certification, Stress, Design, Wire Installation, Structures, Test)
 - Electrical Craftsman
 - Design (Illustrators, Designers)
 - Sales and Marketing
 - Legal
 - Program Management
 - Procurement
 - Manufacturing (Machinist, Fabricators, Builders, Painters, Continuous Improvement)
 - Environmental, Health and Safety
 - Quality
 - Information Technology

Greenpoint Team Members



Average Value of Labor Productivity Per Worker

- Greenpoint is interpreting “value of productivity” to be the market value of goods produced.
 - The market value is best estimated as the revenue Greenpoint recognizes under the GAAP percentage of completion accounting method.
 - The calculation is provided for both direct labor employees involved in the production and also calculated based on complete headcount for the company.
 - Direct Labor Employees (Engineering, Manufacturing, Design)
 - Revenue: \$131,568,495
 - Direct Labor Employees: 151
 - Average Value of Labor Productivity = \$871,315
 - All Employees (Direct Labor + Administrative Functions – Legal, Finance, IT)
 - Revenue: \$131,568,495
 - All Employees: 231
 - Average Value of Labor Productivity = \$569,561

Greenpoint Contract Labor in Washington

Greenpoint utilizes the following services in Washington State contributing \$12,039,789 from January to November 2018

- Accommodations
- Aircraft Fuel
- Annual Business License
- B&O Taxes
- Building Maintenance
- Car Rental
- Catering
- Contract Labor
- Contractor
- Facilities Remodel
- Freight
- Worker's Compensation
- Employee Moral (Holiday parties, Sports Events, Team-building)
- HR Vendors
- Internet/Cable
- Leases Building
- Legal Services
- Marketing: Printing & Shirts
- Medical Insurance
- Office Supplies
- Property Taxes
- Shop Supplies
- Software Subscriptions
- Training & Seminars
- Utilities
- Van Pool

Greenpoint Vendors in Washington

- Greenpoint contributed \$1,937,128 to in state vendors for Aerospace Products and Parts from January to December 2017
 - After pulling all vendors within Washington State Greenpoint can utilize the same REMI economic modeling tool as Aviation Technical Services (ATS)
 - Greenpoint Vendors are captured under the general Aerospace Products and Parts Manufacturing (3364) code.
 - The total represents the full amount of payments made to suppliers in Washington State throughout calendar year 2017 for costs associated with parts required for aircraft modification.

Department of Revenue Information

- Greenpoint fills out and maintains the Department of Revenue Buyers' Retail Sales Tax Exemption Certificate for each Customer
- The average completion time for a VIP aircraft interior is 24 months.
- For the timeframe of 1 January 2014 through 30 November 2018 the following Certificates were filled out:
 - 13 March 2015 –1346 – KC Project 787 – private client
 - 06 July 2016 – 1350 Sky Blue – 787 – private client
 - 01 December 2016 – 1435 – Black Jack -777-200LR – private client
 - 14 August 2018 – 1456 – Everest – 787 - private client

Conclusion

- The sales and use tax exemption (RCW 82.12.215 and 82.08.215) is utilized by Greenpoint and provides significant benefit to Washington State
 - The exemption is integral for Customers in selecting Greenpoint instead of a different completion center bringing the business to Washington State
 - Nine other states provide a tax exemption for large airplanes purchased by non-residents
 - The exemption provides a marketing tool for Greenpoint to compete on future bids for this type of work
 - The exemption promotes economic development of Washington's aerospace cluster to include but not limited to suppliers, Boeing, Greenpoint and Aviation Technical Services (ATS)



GREENPOINT
Technologies

Thank You